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Serbia

Grain and Feed

Update on Wheat and Corn 2007

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Report Highlights:

The Serbian governments imposed a ban on exports of wheat, corn, soybean and sunflower for three months effective August 4 in order to halt further increases in bread and meat prices. Serbian wheat exports in Jan-July totaled 310,000 MT, of which 180,000 MT from the new crop and 138,000 in July alone. Due to drought conditions in Spring and extreme heat waves in late July, the corn crop has been badly damaged with yields and production estimated to be down by 35 percent, to 4.2 million MT. Wheat and corn prices reached their highest levels during the end of July/beginning of August period. Prices seem to stabilize and slightly decline from their highest levels a week after imposing the export ban.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
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Policy Update: Serbian Ban on Wheat and Grain Exports

The Serbian government has suspended the export of wheat, corn, soybeans and sunflower for three months effective August 4. According to the Serbian Ministry of Agriculture, the decree to ban grain exports was issued to halt further increases in bread and meat prices and to ensure sufficient grain supply in the domestic market. Recent hikes in corn and wheat prices were triggered by lower wheat yields, expectations of a very small corn crop this year and high prices in neighboring and global markets. Reaction to the export ban varied considerably. While local milling and baking companies welcome the ban, some economic analysts denounced it as setback to the free market economy and called for its immediate repeal. Most grain trading companies have indicated that they have expected the ban, but it was very drastic and unusual for the ban to be announced overnight without providing a reasonable time period for the companies to complete business deals already in progress. The export ban was negatively received by Serbia's trading partners, especially in the EU, where such interventions are quite out of the ordinary. Several Serbian trading companies voiced their concerns that they have to endure large storage expenses if the ban would continue for the entire three months since they must honor their international contract obligations.

The Serbian Minister of Agriculture Slobodan Milosavljevic stated that the reason for imposing the ban was the concern that the entire Serbian wheat surplus, estimated at 400,000 MT, would be gone in the next couple of months if the pace of exports remained unchanged from June and July's levels. This would have jeopardized market and price stability in Serbia, he explained. He also pointed out that the situation with corn was equally concerning, due to drought conditions and extreme heat waves in July. As an alternative to the ban on exports, the Serbian government was seriously considering setting up an export quota system, but this option was ruled out due to concerns over corruption and cheating on quotas allocations.

Wheat Update

The harvest of the 2006/07 wheat crop ended officially on July 13. Preliminary estimate of total area harvested is about 570,000 HA, of which 300,000 HA in the Vojvodina region and about 270,000 HA in the Central Serbia region. Total wheat production is estimated at about 1.954 million MT, 4 percent higher than the previous year. Post's estimates for PS&D data were revised to reflect this information. The average wheat yield in the Vojvodina region this year is estimated at 3.8 MT/HA, compared to 3.05 MT/HA in Central Serbia. The marketing quality of the new harvest is reportedly to be good, with 45 percent of the wheat crop classified as first class, 35 percent as second class and 18 percent classified as third class category.

According to recent government data, Serbian exports during January-July 2007 totaled 310,000 MT, of which about 180,000 MT is from the new wheat crop. It is reported that wheat exports in July alone totaled 138,000 MT, compared to 182,000 MT for total wheat exports in the entire previous marketing year. Destinations of Serbian wheat exports this year included Bosnia-Herzegovina, Romania, Macedonia, Montenegro and the EU. With the export ban expected to be in place for at least three months, total Serbian exports for MY 2007/08 are projected not to exceed 200,000 MT.

Wheat prices in the local markets in Serbia were steadily rising during June and most of July. In the last third of July, the average wheat price at the Novi Sad Commodity exchange jumped more than 30 percent, from 12,800 dinars/MT (\$217) to 16,500 dinars/MT (\$280) in a period of just one week. Wheat prices started to stabilize and slightly decline from their

high levels a week after imposing the export ban. The average wheat price at the Novi Sad commodity exchange was reported on August 10 at 15,120 dinars (\$256) MT.

Corn Update

Area planted to corn in MY 2007/08 is estimated at 1.25 million HA. Due to drought conditions during planting season, about 75,000 HA of areas sowed to corn were re-seeded with other crops. Weather conditions during the planting and growing season were mostly unfavorable. Due to abnormally warm weather and lack of snowfalls in the winter, farmers started sowing corn about 20 days earlier than the optimal planting time, the earliest corn-planting season in 50 years. Warm and mostly dry conditions continued through spring, with some occasional heavy rains in the second half of May. Extreme heat waves and lack of rainfalls dominated most of July and inflicted significant damage to corn yields throughout Serbia. Some significant rainfalls came in the first week of August, but were too late for many of the cornfields that have been already impacted by the drought. Officials from the Serbian Ministry of Agriculture estimate that total corn production of the new crop will be about 4 million MT, compared to 6.2 million MT in the previous year. According to many analysts, however, total corn production is projected to be about 4.2 million MT. Post has revised corn PS&D to reflect these new estimates. The decline in corn yield due to the drought and heat conditions varied considerably, ranging from 20 to 50 percent lower than normal levels, depending on the region, soil type and the variety of the seeds planted. In some areas, the damage to the corn crop is so severe that agricultural extension agents are advising farmers to harvest the corn and use it for silage.

Serbian corn exports MY 2006/07 are estimated at more than 800 000 MY. During the period January-June, corn exports totaled about 360,000 MT, valued at \$60 million, according to government information. Almost half of Serbia's corn exports went to EU countries while the remaining balance was exported Bosnia-Herzegovina, Macedonia, Albania, Croatia and Romania. With rising corn prices in July and expectation of a short crop, the Serbian government was considering establishing an export quota of 1.2 million MT for the year before it has opted for the export ban. Serbian corn is exported by river barges through the Danube river to the Black Sea Port of Constanza, Romania and from there is mostly exported to EU countries such as Italy, Spain, Rumania and Portugal, while export shipments to Bosnia-Herzegovina, Macedonia, Albania and Croatia go by trucks and railways.

Corn prices at the Commodity Exchange in Novi Sad were steadily rising from mid June until the end of July. During the last week of July and beginning of August, however, corn prices skyrocketed to 18,900 dinars (\$320) Mt, more than 50 percent over their levels two months before. The sharp increases in corn prices were among the main reasons for the Serbian government's ban on grain exports. Corn prices seem to stabilize and slightly decline from their high levels the week after imposing the export ban. The average price of naturally dried corn from the 2006 crop was quoted on August 10 at 17,280 dinars (\$292) MT, while the average price of corn new 2007 crop (on green) was quoted at 12,500 dinars (\$214) MT.

PSD Table Wheat

PSD Table						
Country	Serbia					
Commodity	Wheat				(1000 HA)(1000 MT)(MT/HA)	
	2006		2007		2008	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		07/2006		07/2007		07/2008
Area Harvested	543	543	556	570	0	600
Beginning Stocks	441	441	341	360	191	300
Production	1875	1876	1800	1955	0	2190
MY Imports	25	25	25	10	0	0
TY Imports	25	25	25	10	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2341	2342	2166	2325	191	2490
MY Exports	200	182	150	200	0	270
TY Exports	200	182	150	200	0	270
Feed Consumption	150	150	175	175	0	180
FSI Consumption	1650	1650	1650	1650	0	1660
Total Consumption	1800	1800	1825	1825	0	1840
Ending Stocks	341	360	191	300	0	380
Total Distribution	2341	2342	2166	2325	0	2490
Yield	3.453038674	3.454880295	3.237410072	3.429824561	0	3.65

PSD Table Corn

PSD Table						
Country	Serbia					
Commodity	Corn				(1000 HA)(1000 MT)(MT/HA)	
	2006		2007		2008	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2006		10/2007		10/2008
Area Harvested	1170	1170	1300	1250	0	1300
Beginning Stocks	744	744	559	950	459	149
Production	6415	6265	6300	4200	0	6901
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	7159	7009	6859	5150	459	7050
MY Exports	1200	1000	1000	300	0	1200
TY Exports	1200	1000	1000	300	0	1200
Feed Consumption	5150	4829	5150	4471	0	5100
FSI Consumption	250	230	250	230	0	250
Total Consumption	5400	5059	5400	4701	0	5350
Ending Stocks	559	950	459	149	0	500
Total Distribution	7159	7009	6859	5150	0	7050
Yield	5.482905983	5.354700855	4.846153846	3.36	0	5.308461538